

Housing Opportunities, Inc.

November 2, 2006

Independent Auditors' Report

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Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

Independent Auditors' Report

Board of Directors
Housing Opportunities, Inc.
Salt Lake City, Utah

We have audited the accompanying statements of financial position of Housing Opportunities, Inc. (a non-profit organization), as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Opportunities, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2006, on our consideration of Housing Opportunities, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Baird, Rasmussen & Associates, PC

Baird, Rasmussen & Associates, P.C.
November 2, 2006

Housing Opportunities, Inc.
Statement of Financial Position
June 30, 2006

Assets

Current Assets:

Cash	\$ 63,761
Accounts receivable from related parties	<u>94</u>
Total current assets	<u>63,855</u>

Other Assets:

Investment in limited liability company	<u>158,478</u>
Total other assets	<u>158,478</u>

Total assets	<u><u>\$ 222,333</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable to related parties	\$ 6,079
Accrued liabilities – payroll	<u>108</u>
Total current liabilities	<u>6,187</u>

Total liabilities	<u>6,187</u>
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Net Assets:

Unrestricted net assets	<u>216,146</u>
Total net assets	<u>216,146</u>

Total liabilities and net assets	<u><u>\$ 222,333</u></u>
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See accompanying notes to financial statements.

Housing Opportunity, Inc.
Statement of Activities
Year Ended June 30, 2006

Unrestricted Net Assets:

Support:

Local government support	\$ 10,547
Miscellaneous income	1,294
Other grants	<u>32,715</u>
Total unrestricted support	<u>44,556</u>

Expenses:

Administration benefits and taxes	496
Administration payroll	1,406
Audit fees	3,370
Donations	32,715
Dues and membership fees	132
Insurance	1,673
Office overhead	504
Loss on investments	<u>299</u>
Total expenses	<u>40,595</u>

Increase in unrestricted net assets	3,961
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Net assets at beginning of year	<u>212,185</u>
Net assets at end of year	<u>\$ 216,146</u>

See accompanying notes to financial statements.

Housing Opportunities, Inc.
Statement of Cash Flows
Year Ended June 30, 2006

Cash Flows from Operating Activities

Increase in unrestricted net assets	\$ 3,961
Adjustments to reconcile increase in net assets	
To net cash provided by operating activities:	
Net unrealized loss from investment	299
Decrease (increase):	
Receivable from a related party	652
Increase (decrease):	
Accounts payable	25
Accounts payable to related parties	<u>4,900</u>
Net cash used in operating activities	9,837
Net cash from investment activities	-0-
Net cash from financing activities	<u>-0-</u>
Net increase in cash and cash equivalents	9,837
Cash and cash equivalents – beginning of year	<u>53,924</u>
Cash and cash equivalents – end of year	<u><u>\$ 63,761</u></u>

See accompanying notes to financial statements.

Housing Opportunities Inc.
Notes to Financial Statements
Year Ended June 30, 2006

1. Summary of Significant Accounting Policies

Organization – Housing Opportunities, Inc. (a non-profit organization) provides relocation services for low income families.

Basis of Accounting – The Organization prepares its financial statements in accordance with generally accepted accounting principles on the accrual basis of accounting.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. All net assets are accounted for as unrestricted net assets according to SFAS No. 117.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes – The Organization was organized as a non-profit corporation in accordance with the laws of the State of Utah. The Organization has general exemption from income taxation under the provisions of Section 501 C (3) of the Internal Revenue Code.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

2. Cash Deposits

Deposits for the Organization are governed by the Utah Money Management Act and by rules of the Utah Money Management Council (“the Council”). Following are discussions of the exposure to various risks related to cash management activities.

Custodial Credit Risk – The risk that in the event of a bank failure, deposits may not be recovered. The Organization’s policy for managing custodial risk is to adhere to the Money Management Act. The Act requires all deposits of the Organization to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, none of the Organization’s bank balances of \$63,761 were uninsured and uncollateralized.

Other Risks – Due to the lack of cash investments and the limited nature of funds, the Organization has no credit risk, interest rate risk or concentration of credit risk.

Housing Opportunities Inc.
Notes to Financial Statements (continued)
Year Ended June 30, 2006

3. Investments

At June 30, 2006, the Organization's investments consist of a 29 percent interest in a limited liability company. The investment is accounted for under the equity method of accounting.

4. Functional Allocation of Expenses

The only function performed by Housing Opportunities Inc. is to provide relocation assistance to low income individuals and families. All expenses reported on the accompanying statement of activities were incurred to achieve the function of providing relocation assistance.

5. Related Party Transactions.

The Housing Authority of the County of Salt Lake (HACSL) is governed by Board members who are also Board members of the Organization. HACSL personnel are responsible for accounting and finance operations of the Organization.

During the year ended June 30, 2006 HACSL contributed \$10,547 towards the Organization's operations, and provided administrative, accounting and management services totaling \$1,902. Additionally, the accompanying statement of financial position includes a payable to HACSL of \$6,079, as well as a receivable from Special Needs Housing, LLC of \$94 at June 30, 2006. The Organization also donated \$32,175 in private grant money to HACSL to administer after school programs.

Special Needs Housing, LLC is an organization, managed by HACSL, to provide housing to low income individuals with special needs.

6. Concentrations

The Organization received twenty four percent of its support from the Housing Authority of the County of Salt Lake (HACSL) during the year-ended June 30, 2006. Programs operated by the Organization depend on continued support by HACSL.

Baird, Rasmussen Associates, PC

Certified Public Accountants and Business Advisors

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Housing Opportunities, Inc.

We have audited the financial statements of Housing Opportunities, Inc. (a non profit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Opportunities, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Opportunities, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baird, Rasmussen & Associates, P.C.

Baird, Rasmussen & Associates, P.C.

November 2, 2006